

Message Text

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51

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-11 NSAE-00 RSC-01 FAA-00 TRSE-00 XMB-07

L-03 EUR-25 FMC-04 AID-20 OMB-01 FRB-03 SS-20 NSC-07

IO-14 DRC-01 /154 W

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R 201730Z SEP 74

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 0000

INFO AMEMBASSY BRASILIA

INFO AMCONSUL SAO PAULO

LIMITED OFFICIAL USE RIO DE JANEIRO 3572

E.O. 11652: N/A

TAGS: ETRN, BR

SUBJECT: CIVAIR: FOREIGN GOVERNMENT SUBSIDIES TO COMMERCIAL
AIRLINES

REF: (A) RIO 3386; (B) STATE 162608

1. AS PROMISED IN REF (A), THE FOLLOWING ARE SUMMARIES
OF COMMENTS PROVIDED BY LOCAL PANAM OFFICE. COMMENTS ARE
LETTERED TO CORRESPOND TO PARAGRAPHS IN REFTELS (A) AND
(B).

(B) BRAZILIAN COMMERCIAL AIRLINES REPORTEDLY HAVE ACCESS TO
GOVERNMENT-OWNED NATIONAL DEVELOPMENT BANK (BNDE) FOR FINANCING.
BNDE CREDIT NORMALLY CARRIES INTEREST RATES THAT ARE BELOW
PREVAILING MARKET LEVEL.

(D) BRAZILIAN CONSULATES ALLEGEDLY PERFORM SUBSTANTIAL
PROMOTIONAL WORK ON BEHALF OF NATIONAL AIRLINES.

(B) CELMA, AN OVERHAUL FACILITY, PERFORMS MAINTENANCE WORK
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FOR COMMERCIAL AIRCRAFT. COMPANY, WHICH IS LARGELY OWNED BY

THE GOVERNMENT, OPERATES AT A LOSS. LOCAL PANAM OFFICE MAINTAINS THAT THESE SERVICES, THEREFORE, ARE BEING PERFORMED AT LESS THAN THEIR TRUE ECONOMIC COST AND THUS CONSTITUTE AN INDIRECT SUBSIDY. AS REGARDS OTHER GOVERNMENT SERVICES, ALTHOUGH ALL AIRLINES PAY THE SAME SERVICE FEES, NATIONAL CARRIERS REPORTEDLY ALWAYS ENJOY A PREFERENTIAL CHOICE OF SITE AS AIRPORTS.

2. LOCAL PANAM REPRESENTATIVES HAVE ALSO PROVIDED THE FOLLOWING COMMENTS WHICH DO NOT RESPOND DIRECTLY TO THE QUESTIONS POSED IN REF (B).

(A) PANAM HAS BEEN REFUSED PERMISSION TO HAVE ITS FLIGHT KITCHEN SERVE OTHER FOREIGN AIRLINES.

(B) VARIG HAS POOLING AGREEMENTS WITH MOST EUROPEAN AIRLINES OPERATING INTO BRAZIL.

(C) VARIG AND ALL OTHER FOREIGN AIRLINES ARE "NOT CONSERVATIVE" IN CUTTING RATES OR IN REBATING.

(D) EXPORTERS OF MANUFACTURED ITEMS ARE GIVEN A TAX REBATE FOR ITEMS EXPORTED ON BRAZILIAN MERCHANT MARINE VESSELS. SIMILAR REBATES ARE NOT GRANTED FOR EXPORTS MOVING VIA COMMERCIAL AIRCRAFT. PANAM CLAIMS THAT THIS PRACTICE, ADMITTEDLY APPLIED EQUALLY FOR ALL COMMERCIAL AVIATION COMPANIES, CONSTITUTES DISCRIMINATION AGAINST AIRCRAFT CARGO SERVICES AND FAVORS MARITIME SERVICES.

MILLER

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